Weekly Economic Review

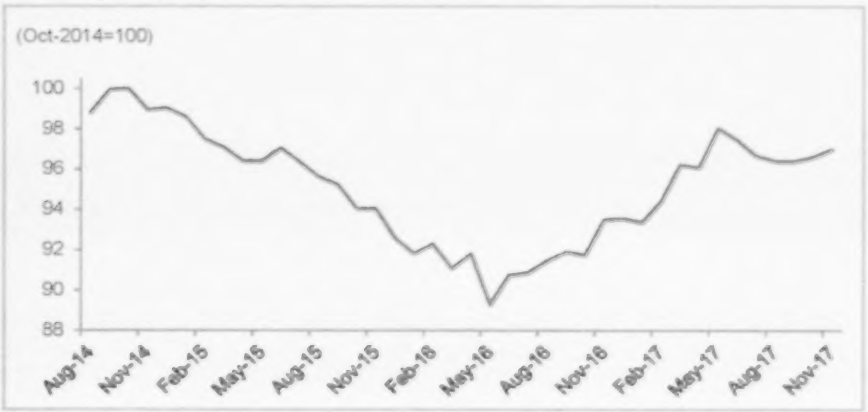
Activity in the province edges up

Alberta Activity Index

Oil production and housing boost the AAX

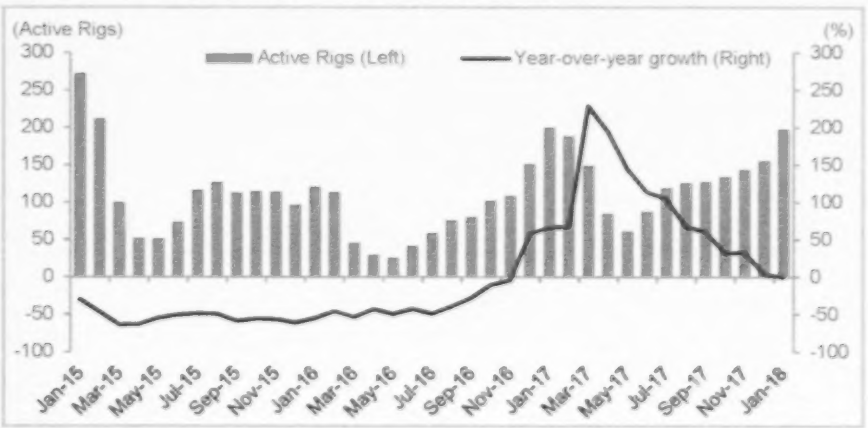
The Alberta Activity Index (AAX) continues to edge up following a dip over the summer. The AAX increased 0.4% month-over-month (m/m) in November (Chart 1). The monthly uptick reflected a rebound in oil production following maintenance-related outages in the previous months and a jump in new housing construction.

Chart 1: Activity picks up in November
Alberta Activity Index



Source: Alberta Treasury Board and Finance

Chart 2: Strong start to winter drilling season
The number of rigs drilling for oil and gas in Alberta



Source: Canadian Association of Oilwell Drilling Contractors

Besides weekly earnings and wholesale trade, all other components showed modest growth. Despite momentum slowing, activity continues to recover from recessionary levels, having regained about two-thirds of peak-to-trough losses.

Rigs Drilling

Drilling picking up

The winter drilling season got off to a solid start in Alberta. The number of active rigs averaged 197 in January, up 27% m/m (Chart 2). The level of activity was comparable to the previous year. The rig utilization rate stood at 47%, up 2.2 percentage points in the last 12 months, reflecting fewer drilling rigs available. Across the rest of Canada, the rig count rose 9.3% year-over-year (y/y) to 87 rigs in January.

Metres Drilled

Metres remains solid

Drilling activity in Alberta's oil and gas sector remains solid despite slowing momentum from the brisk pace during the first half of 2017. There was a total of 1.2 million metres drilled for oil and gas in November, up 30% from a year ago. While most of the gain was in natural gas (+41% y/y), metres drilled for conventional oil and bitumen were also up. Although metres drilled continue to rise, the pace has moderated. This was the smallest year-over-year gain in 12 months. Similarly, the number of wells completed continues to moderate, up 16% y/y but slowing from 36% in October.

Job Vacancies

Job vacancies rise

Job seekers in the province may have an easier time finding a job as job vacancies remain high following a surge in the summer. There were 39,100 job

vacancies in the three-month period ending in October, 500 more than in September. While vacancies have levelled off, the number of unemployed persons for each vacancy continues to decline. There are now 4.8 unemployed Albertans for every job vacancy, down significantly from 8.4 in December 2016 but above the national average of 3.8 (Chart 3).

Consumer Bankruptcies

Insolvencies remain elevated

The number of consumers filing for insolvencies eased in November. There were 1,125 Albertans that submitted either a consumer proposal or bankruptcy, down 74 from October. Despite the monthly decline, the number of proposals remained high, while the number of bankruptcies edged lower. The continuing divergence between the number of proposals and bankruptcies is a reflection of low interest rates and the availability and willingness of creditors to accept consumer proposals.

Railway Carloadings

Freight takes a dip

Railcar loadings pulled back in November from the October peak. Carloadings originating from Western Canada decreased 3.7% y/y to 160,131 railcars after eight consecutive year-over-year increases. Nearly all major commodity groups posted declines led by agriculture and wood products. Energy products also slipped for the first time in 13 months, as declines in coal outweighed gains in fuel oils and crude. Despite the dip, railway freight remains up 7.0% year-to-date.

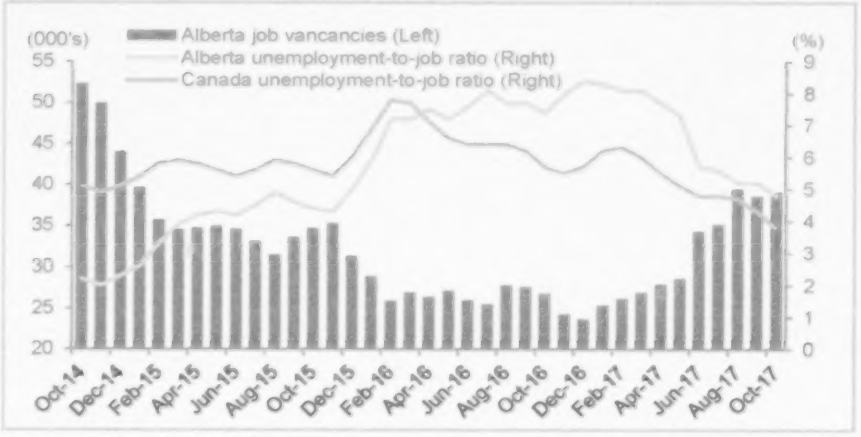
Canadian GDP by Industry

Goods sector rebounds

The Canadian economy picked up in November following a pause in October. Real GDP by industry increased by 0.4% m/m, as both the goods and services sectors posted gains. The strong bounce back in the goods sector was fuelled by a resurgence in manufacturing following shutdowns at major auto plants in the past two months (Chart 4). This was also supported by improvements in mining, quarrying, and oil and gas extraction and utilities industries. Growth in the services sector was led by wholesale and retail trade industries. Compared to a year prior, the economy expanded 3.5%, with only two industries posting declines.

Chart 3: Unemployment-to-job ratio converging to national rate

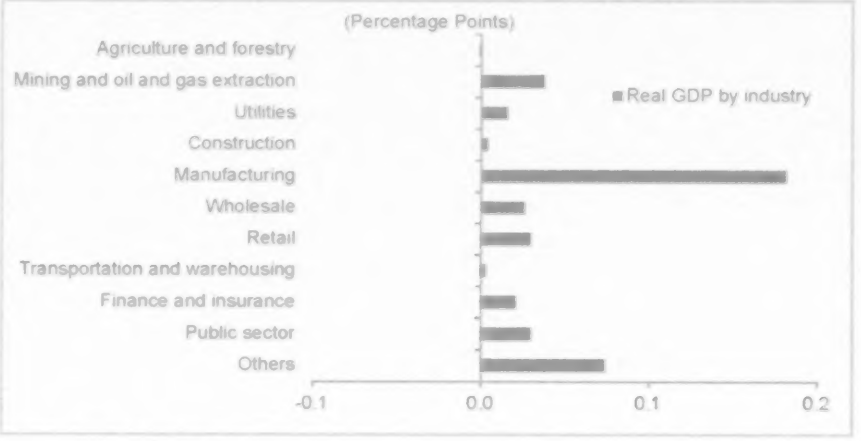
Job vancancies and unemployment-to-job ratio



Source: Statistics Canada

Chart 4: Canadian growth lifted by manufacturing

Contributions to month-over-month growth in real GDP by industry



Source: Statistics Canada

Contact

Daniel Letcher 780.427.8845

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.